

**Cisterna
Networks™**



Communicate Without Boundaries

Cisterna Networks, Inc. (CNWT)

**FY2011 -
FY2013**



Greg Royal

Housekeeping

- This presentation has been filed as 8K today.
- There will be a presentation of approx 1 hour then we will take questions.
- We have allowed plenty of time for Question Time and everyone will have the opportunity to ask a question.
- Those on the conference call, could you please email your questions to jmiller@cistera.com to avoid being missed.
- Senior Staff will be available after the meeting for individual discussions.

Forward Looking Statements

- This document may be deemed to contain forward-looking statements, which are subject to the safe harbor provisions of the Private Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements regarding future events and the future financial performance of Cistera Networks Inc that involve risks and uncertainties.
- Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. Readers are referred to the documents filed by Cistera Networks with the SEC, specifically the most recent reports on Form 10-K and 10-Q, each as it may be amended from time to time, which identify important risk factors that could cause actual results to differ from those contained in the forward-looking statements.

Agenda

- Current Fiscal Year 2010 Report
 - Income Statement and Discussion
 - Balance Sheet and Discussion
 - Debt Analysis and Discussion
- 2011 and Beyond
- Question and Answer Session

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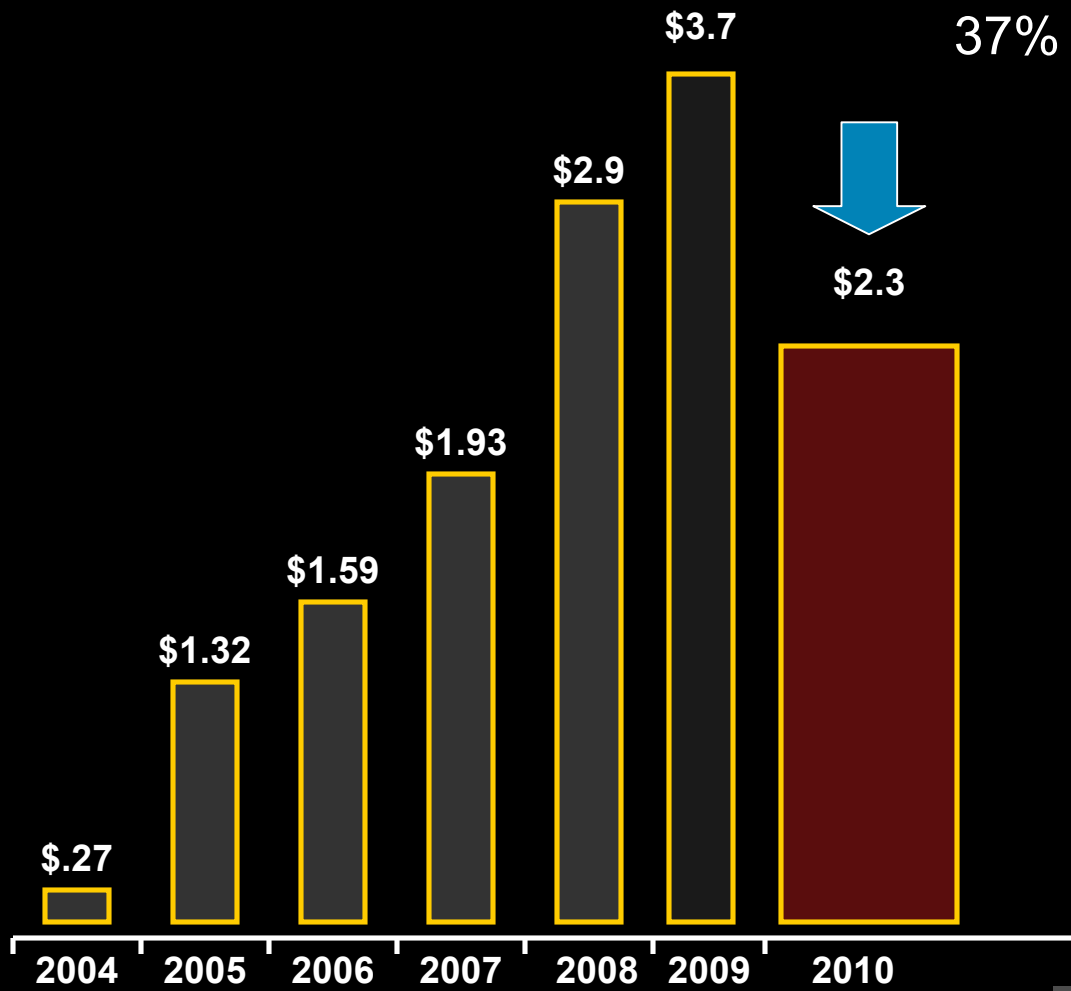
Income Statement



Discussion on Income Statement for FY2010

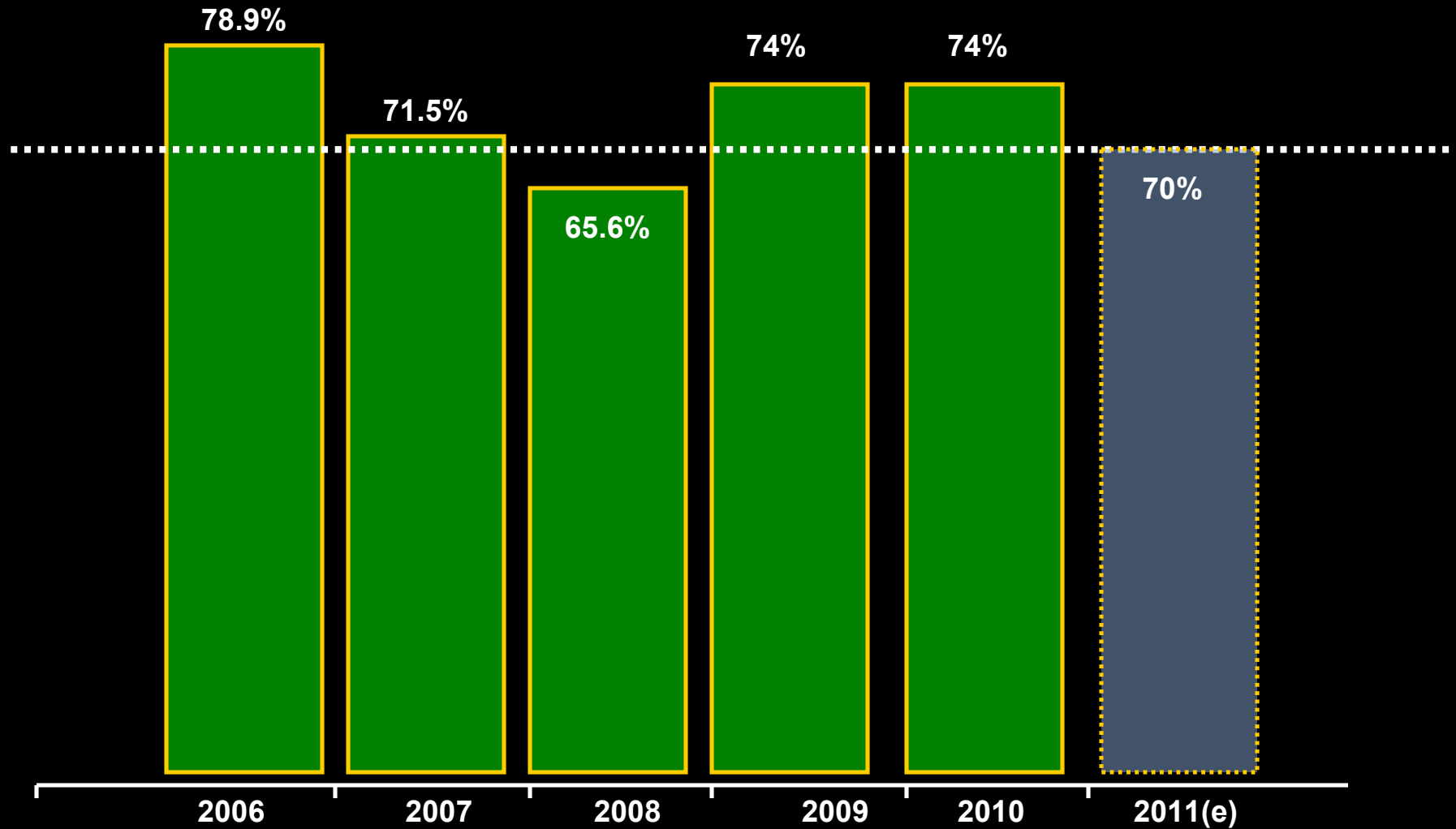
Revenue 2004 - 2010 (GAAP)

Revenue is
37% down on GAAP Basis

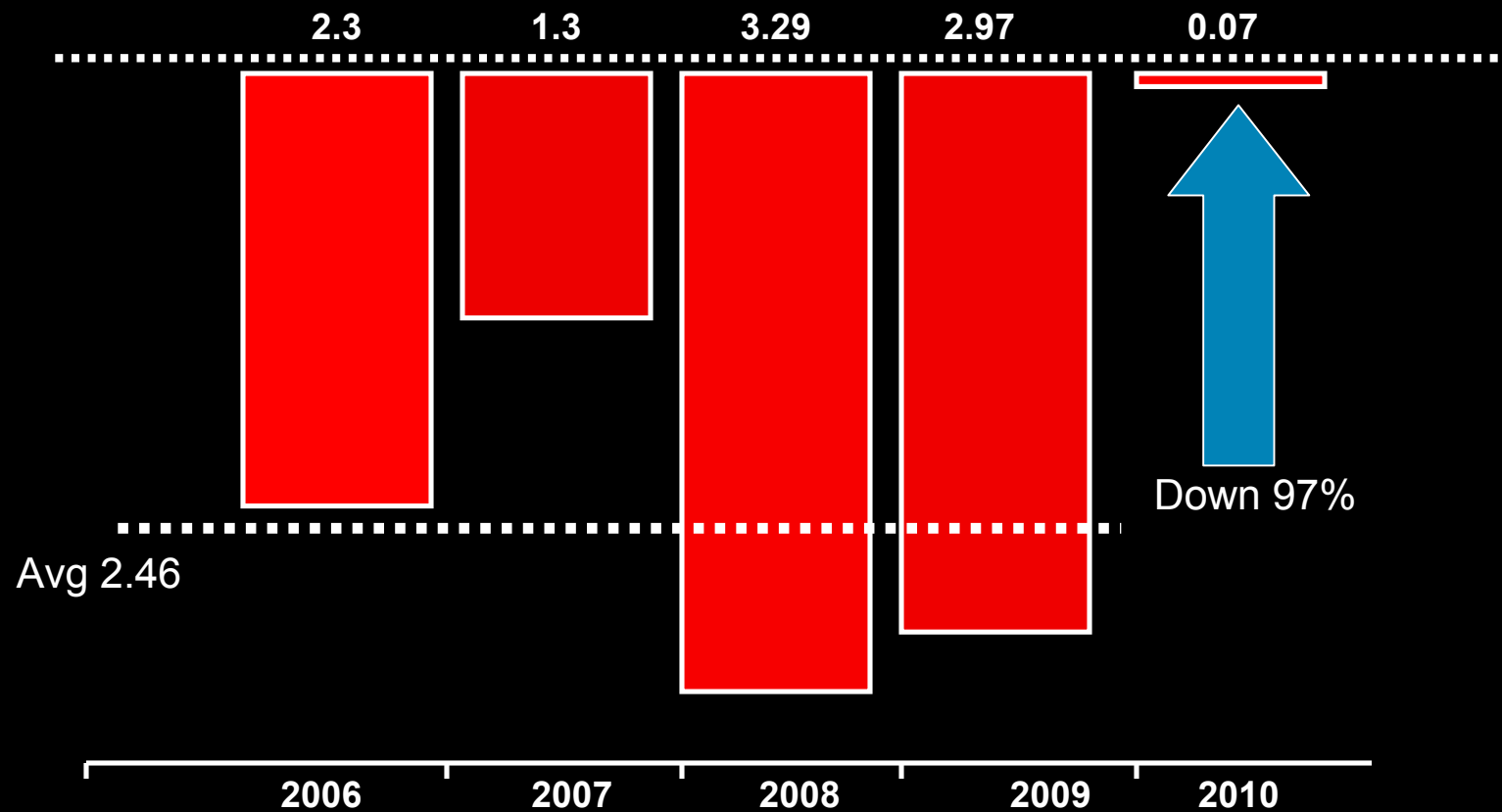


(\$) Millions, FY ending March 31

Gross Margin 2006 - 2010 - (GAAP)

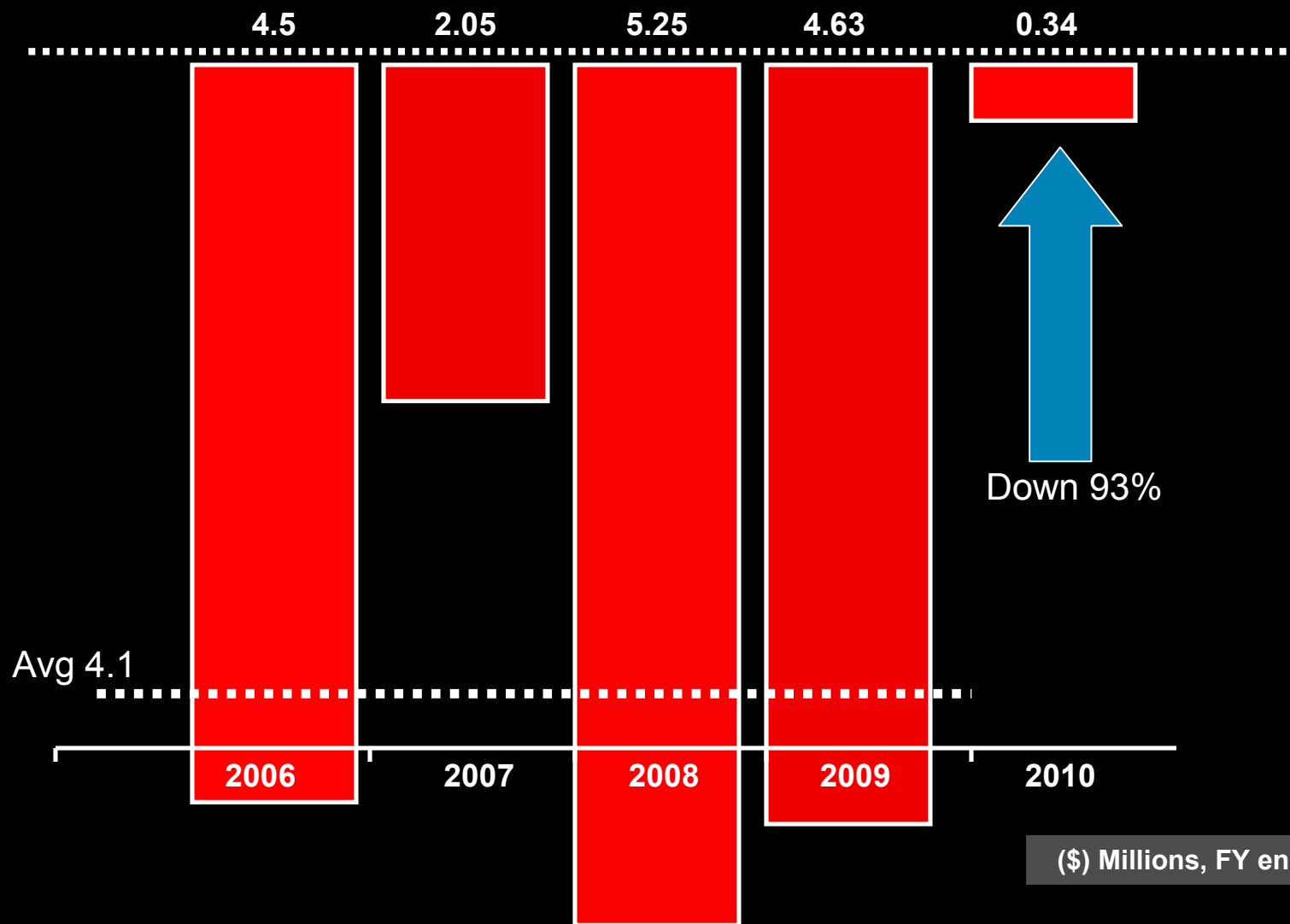


Operating Loss 2006 - 2010 - (GAAP)



(\$ Millions, FY ending March 31)

Fiscal Loss 2006 - 2010 - (GAAP)



FISCAL YEAR 2010 (GAAP) - June 2010

	1Q 2010	2Q 2010	3Q 2010	FY2010(e)
Revenue	460,000	750,000	573,000	2,294,210
COGS	<u>170,000</u>	<u>202,000</u>	<u>178,000</u>	<u>628,513</u>
Gross Profit	289,000 63%	548,000 73%	447,000 78%	1,665,697 74%
Operating expenses	400,000	384,000	362,000	1,737,554
Operating Loss				(71,857)
Net Profit/Loss	(192,000)	106,000	38,000	(339,257)

Highlights

- Full Year Loss - \$339,000
 - Interest Expense - \$237K
 - Depreciation - \$167K
- Positive EBITDA - \$90K
- Operating Expenses ~ \$130K per month down from high \$375 per month
- Maintenance Revenue is now over \$1M per year

Full Year 2010

- Revenues were disappointing but given the economy and what we understand from others, this was inevitable. We can only grow from here.
- Because we restructured quickly we are in a much better shape than some others in this market....
- However..... We are only half way through our restructuring...we still need to
 - A) Pack a punch with our revenue engine with profitable transactions
 - B) Reduce our debt to acceptable levels
 - C) Grow new markets, for long term revenue opportunities
- Our operating loss was disappointing. We were only 1 deal away from an operating profit.....
- Other than labor, **Interest Expense** is our biggest cost.....

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Balance Sheet



Discussion on Balance Sheet for FY2010

Balance Sheet FY2010 (Assets)

- Current Assets - \$360K

Accounts Receivable \$190K (about 1 month)

- Intellectual Property - \$1.48M
- Other - \$60K
- Total Assets - \$2.05M



- We have not made allowance for Net Tax Asset in Balance Sheet
- Net Operating Loss Carry Forward is \$16.8M
- Net Tax Asset is \$5.7M (see note 6 10K)

Balance Sheet FY2010 (Liabilities)

- Total Liabilities \$4.04M (Down from \$4.3M)
- Includes non-cash items (\$1.6M)
 - Litigation Reserve \$650,000
 - Deferred Revenue - \$959,000 (*Current and Long Term*)
- Notes Payable - \$1.36M
- Deferred Payroll and Taxes \$300K (*should be \$0*)
- Trade and other Payables - \$641 (*monthly should be \$300K*)

Balance Sheet FY2010 (Stockholders)

- The Stockholder deficit is \$2M
- The reasons for this:
 - FY2009 non-cash charge for Note Conversion \$2.7M
 - FY2008 non-cash charge for Note Conversion \$664K
 - FY2006 goodwill right off was \$2.1M
 - Liability reserve of \$650K
- **Total non-operating non-cash charges in the last 4 years were \$6.1M which is 3x Shareholder Deficit**

Understanding Debt Challenges

- Current Trade Payables should be ~\$300k per month
- Accrued Payroll and Taxes - \$300K
- PP#2 notes

PP#2 note holders: \$800K

PP#2 Interest on notes: \$400K

PP#2 Liquidated Damages \$177K

Steps to Restructuring Notes

- Risk Capital in another form
- We have retired 20% of the debt in FY2010 through a very favorable conversion rate of 39.3c per share
- However, this is a very challenging problem because of the very limited tools available
- We are currently in discussion with Roaring Fork as the largest single holder (25%) in regards to a restructuring agreement.
- Once we come to agreement, we will take this proposal to the other noteholders for negotiation.

Additional Notes

- We have ended our relationship with Allied Capital

- No more upset partners and customers

- No more onerous factoring terms

- This will save the company significant financial expense (approx 150K)

- Cashflow has improved considerably from this time last year, but we still are very tight and will continue for at least the next 12 months

- We have dramatically reduced the use of outside consulting in all areas, financial, legal etc.

- We have dramatically reduced sales expense and cost of sales

- Cashflow remains extra-ordinarily tight

- Reduced Payment days to 7 Days where contract allows

- Discounts for prompt payment

- Review of existing contracts to reduce payment days

- Accepting Credit Cards for payment

Reverse Forward Split

- The company has completed the reverse forward split on April 10th 2010
- The company has approximately 207 shareholders down from approx 644 shareholders
- The next step is the filing of Form 15 application to deregister securities
- However the company's filings are under review so cannot file form 15. We have 7 comments currently to respond to and will be completed shortly.

Employee Stock Option Plan

- 2 Million shares have been allocated and approved by majority shareholders as of June 8th 2010
- This plan is for 3 years with tranches each year based on performance and profitability
- The price must be “Fair Market Value”.
- It is the desire and intention of the company that this Plan to be non-dilutive

Restructuring - Phase Two

- We intend to continue to focus heavily on debt reduction over the next year
- We recognize significant economic headwinds still exist
- We recognize that negative shareholder equity restricts our ability to grow so it is one of our key goals to eliminate
- Profitability is Job Number One
- Revenue Growth is close Job Number Two
 - We will only spend 50c to purchase \$1 in revenue
- We will continue to reduce market risk by focusing our business

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2011 and Beyond



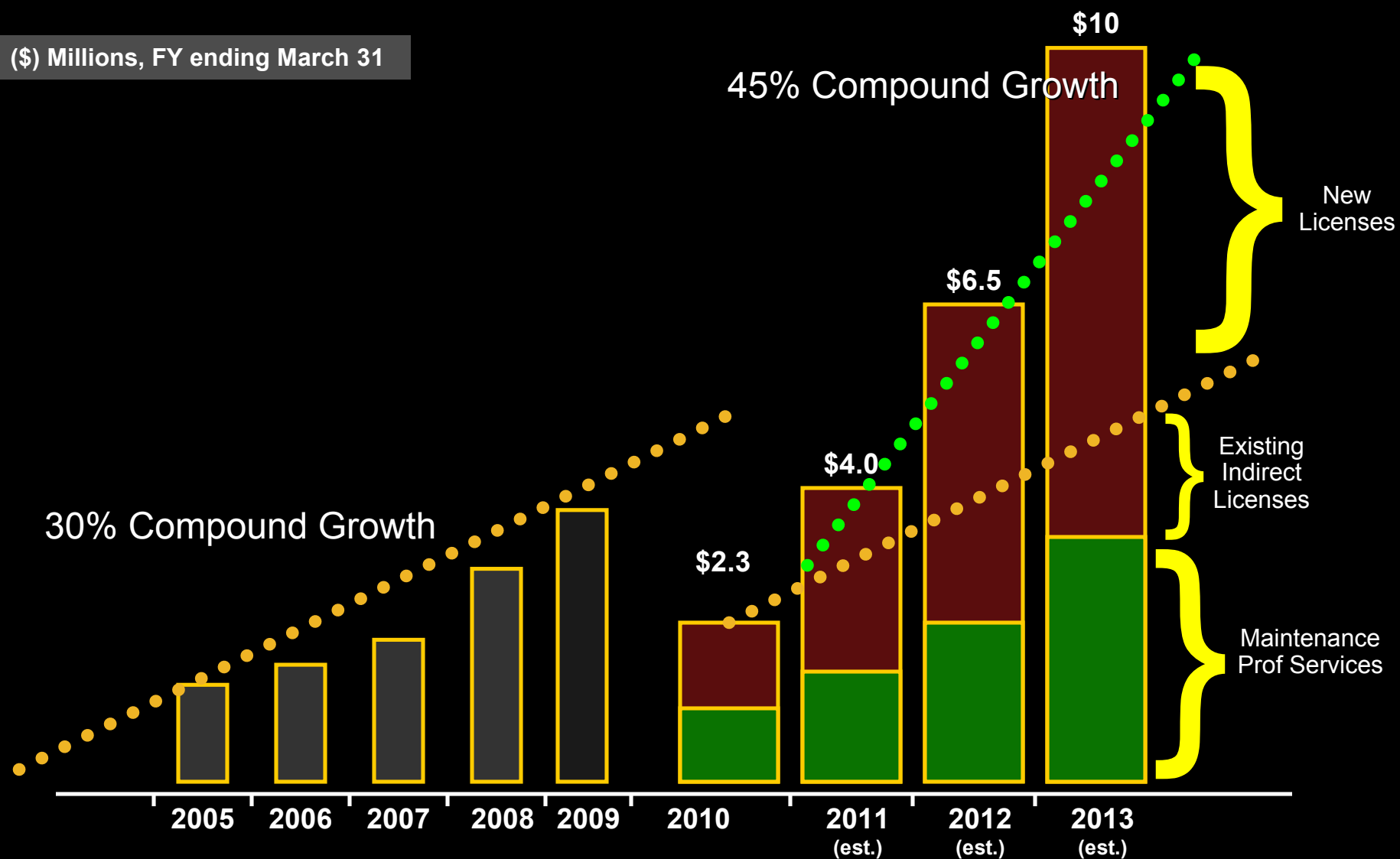
Our Goals for the next 3 years

Cistera Will Be Metric Driven

- Revenue Growth is Important, we should be returning to 33-40% annual growth but this takes investment
- Revenue per employee FY2010 was \$144K, it should be \$220K
- Gross Margins at sustainable 70%
- Operating Expenses should be 50% of Revenue
- We should be targeting operating margin of 20-25%

Proposed Revenue Growth Plan

(\$ Millions, FY ending March 31)



Single Biggest Problem

- Our Market is Large however....
- There are some customers that are too expensive to reach
- For example, a school district in Alaska that wants to spend 20K is too expensive to service
- So our market defined by whether we can reach profitably either through direct or indirect methods

Who are our Customers?

- Our customers should be high-value targets with high value problems within communications
- We must realize continuous revenue over the life of the customer, we are not in the business of having to replace old business with new business
- Our customers are in markets that actively pursue new technology as a consequence of their business
- Our customers are inside core verticals where we most add value.
- Our Gross Margin proves we add considerable value
- Our Net Margins will prove we can deliver it less than the revenue we receive.

What will we sell to them?

- Rethinking what we sell to attract our core verticals
- QA Management and Compliance

Changing QAC to QA Management and Compliance

CCRRecord changing to *QAMRecord* Enterprise only

We need to greatly increase reporting capability, so new Reporting Engine added

Outsourcing report building to third party

Adding Call Accounting to QAMC Suite

What will we sell to them?

- Repositioning for our core verticals
- Event Alerting and Notification
 - OEM Land Mobile Radio Solutions from Telmarine
 - MasterBellScheduler changed to EAN Scheduler
 - Quick Conference now standard inside platform
 - Geo Location very important going forward
 - Need to add Desktop, Iphone, Blackberry, Android Notification this year.
 - What else do we need to fill our offering?*
- Productivity and Collaboration
 - All engines are from 1st April standard in platform (for X licenses)
 - Platform License adjusted upwards to compensate

We Can Grow Within Existing Channel

- 20% increase Price increase across the board
 - We have implemented price increased across the board giving on average 20% raise
 - Implemented 1st April 2010 throughout the channel
 - Currently no push back from channel
- 15% increase through increase emphasis on maintenance and renewals.
 - We increase our new license customer base by 40% last year
 - Currently running at annualized maintenance of \$1.5M
 - New strata of 24/7 support +5% increase

FY 2011 Company Objectives

- The overall revenue objective for FY2011 is \$US4 Million.
- Our Revenues per employee target will be \$200K per full time employee, increasing to \$270K in the next 3 years
- Direct Sales will make up 20% of our business, increasing to 50% over the next 3 years
- Our partner channel will therefore make up 80% of our business
- Federal Government will make up 20% of our business increasing to 50% over the next 3 years
- Increase our partner revenue/commitment ratio to 20% and to 50% over the next 3 years
- Our maintenance renewal ratio will exceed 70% in FY 2011 increasing to 85% over the next three years

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New Initiatives



Our Core Markets

- We have three core markets to build on
 - Federal Government
 - Public Safety and Local Government
 - Healthcare
- All of these markets are characterized by high value problems and the ability to pay for a solution that meets their needs

Telmarine Communications

- Cistera is forming Joint Venture with University of Texas for P.25 Bridging Technology
- The company's new name is Telmarine Communications Inc
- Today it is 100% subsidiary of Cistera
- Cistera is selling LMRConnect and LMRRecord to Telmarine
- Cistera will become reseller of LMR technology
- Introducing new investors to increase R&D effort Cistera cannot take on it's own.



Cisterra Federal Systems Inc

- Cisterra has formed wholly owned subsidiary Cisterra Federal Systems Inc
- Procurement vehicle for Cisterra for Federal Government
- Cisterra Federal will partner with key minority business partners
- Partnerships with key technology partners
- New relationships with Raytheon and Lockheed Marting
- Cisterra Federal will hold the Cisterra GSA Contract
- Eventually will be based in Virginia

Cisterna Federal Partnerships

- Announced Partnership with Desktop Alerts Inc

 - Very strong in Federal Market

 - Develop relationships within DOD and National Guard

 - Complimentary solution set integrating desktops into EAN systems

- Announced Partnership with Trusted Computing

 - Key OEM relationship to meet various security compliance requirements

Cistera Healthcare

- We have over 29 Healthcare Provider organizations in our customer portfolio
- In FY2010 we won 3 very significant Healthcare System Deals in Florida, Texas and California
- We are pursuing additional Partners in this area

Business Intelligence for UC Cistera Reporting Engine

- Increased need for metrics and intelligence around UC platform
- Call Accounting is one subset of larger need to manage and exploit communications infrastructure
- New Cistera Reporting Engine based on Jaspersoft BI Enterprise Suite
- Custom reporting capability for large scale environments

Contact Centers

Healthcare

Public Safety

Summary

- We are 1/2 way through a top to bottom restructuring of the business to develop sustainable and profitable company
- We have come a considerable way.
- We have learnt many lessons from the past
- We have a small but significant number of key challenges still to work out
- This **has and will** result in a Win for shareholders, a Win for Note Holders, a Win for Employees for the Market.